

AR79

Canadian
Corporate Management
Company
Limited

Annual Report
1981

Canadian Corporate Management Company Limited is a publicly owned company with operating subsidiaries or divisions with assets aggregating \$219 million.

Originally founded in 1944, the Company has expanded substantially during the past decade through an acquisition policy that focuses on enterprises with strong growth potential in specialized markets.

The Company provides financial, managerial, marketing, technical and strategic planning services, while permitting each subsidiary a wide degree of operational autonomy.

Today, the Company's subsidiaries are organized in five business groups—electrical and electronics; residential building supplies; graphics; industrial metal products; and consumer products.

Financial Highlights

	1981	1980	Increase	%
000's				
Sales	\$486,704	407,164	79,540	19.5
Net income before the undernoted items	43,497	34,059	9,438	27.7
Interest	14,067	9,473	4,594	48.5
Depreciation and amortization	7,627	5,971	1,656	27.7
	21,694	15,444	6,250	40.5
Income taxes	21,803	18,615	3,188	17.1
	9,757	7,170	2,587	36.1
Minority interest	659	622	37	5.9
Income before extraordinary charge	\$ 11,387	10,823	564	5.2
Extraordinary charge	425		425	
Net income	\$ 10,962	10,823	139	1.3

Per Class X and Class Y share (in dollars)—

Net income

Before extraordinary charge	\$ 2.43	2.32	.11	4.7
After extraordinary charge	\$ 2.34	2.32	.02	.1
Equity	\$18.84	17.31	1.53	8.8

Head Office

Suite 2080
 Commerce Court West,
 P.O. Box 131,
 Commerce Court Postal Station,
 Toronto, Canada M5L 1E6

Transfer Agents

National Trust Company, Limited
 Montreal, Toronto and Calgary

The Canadian Bank of Commerce
 Trust Company
 New York

Annual Meeting

The Annual Meeting of shareholders of Canadian Corporate Management Company Limited will be held on Wednesday, May 12, 1982 at 10:30 a.m. in "Commerce Hall" Commerce Court West (King and Bay Streets), Toronto, Canada

Directors' Report to Shareholders

The company's earnings improved in 1981, despite the adverse conditions which prevailed as the slow economy of 1980 turned into a recession economy. The moderation of industry and consumer spending, the housing recession, high interest rates and strikes all adversely affected the company's operations. Despite these pressures, significant gains in earnings were achieved in several of the company's operations—notably the electrical and electronics group, the residential building supplies group and the consumer products group. One of the key reasons for your company's resilience in overcoming the effects of volatile business conditions has been its well balanced and diversified portfolio of businesses. The performance in 1981 gives us confidence that the company's strategies are sound and that a return of economic growth will lead to significantly improved results.

Results

Revenues in 1981 were \$486 million, a 19½% increase from \$407 million in 1980. Net income before an extraordinary charge was \$11,387,000, up from \$10,823,000 in 1980. Ordinary earnings per share were \$2.43, compared with \$2.32 a share in 1980 of which nine cents per share represented a gain upon the sale of a small subsidiary.

The electrical and electronics group made the best income contribution with an excellent 27% improvement in operating profit to set a new profit record.

The residential building supplies group, which was placed under new management in 1980, significantly improved its results in 1981 over the unsatisfactory performance of the previous year. A substantial increase in operating profit, resulting from the achievement of internal efficiencies and the disposal of losing portions of the business, was made in the face of a flat market. The results are encouraging, indicating that a satisfactory

return on investment may once again be achieved when conditions in the industry improve.

Although the graphics group had a modest increase in operating profit on higher sales, its profits were adversely affected due to the start-up during 1981 of two large volume high speed presses at RBW. These presses should greatly enhance RBW's position in the highly competitive commercial printing market.

The industrial metals group suffered a deterioration in profits reflecting the marked reduction in demand by principal customers in the automotive, steel, rail and utility industries. This group has been adding to its production facilities so that it may enter new promising markets, and these initiatives are anticipated to result in a steady growth in sales and profits in the years ahead.

The consumer products group performed well despite the softer economy in 1981. The results of this group would have been even better but for two unforeseen events. One was an illegal union boycott of Direct Film's stores in Quebec during the peak summer selling season. This costly labour dispute involved an attempt to unionize our Quebec employees outside of Montreal, which we did not oppose, and our store managers outside of Montreal which we did. The second event was the lengthy 42 day postal strike last summer which adversely affected the direct mail activities of Regal Greetings & Gifts and Primes de Luxe.

We are pleased that your company was able to improve its profitability in a difficult year when many of its most important customers had sharply reduced demands for its products.

Financial Position

1981 income was depressed by the continuation of very high interest rates. In 1981 interest expense was \$4.6 million higher than in the previous year. Although a part of this increased financing cost was due to

new borrowing relative to the acquisition of Direct Film and new plant and equipment, there is no doubt that the persistence of high interest rates has had a very adverse effect on earnings and limits the ability of the company to make additional investments.

Despite these pressures the company concluded the year in a strong financial position. The ratio of current assets to current liabilities was 2 to 1 and the long term debt to equity ratio was .47 to 1. Long term debt increased by \$2.1 million, while working capital was increased by \$2 million.

Capital Expenditures

Your company supports the growth strategies of our business groups by ensuring the availability of capital for new plant and equipment. During 1981 capital expenditures exceeded \$17 million, nearly double the highest expenditure in any prior year. Some of these expenditures did not yield a return last year but will make a positive contribution in the future.

This year the company expects to make substantial capital expenditures as it expands its businesses to take advantage of new opportunities and introduces new and improved products.

Business Development

During 1981 many opportunities to acquire new companies were reviewed. None of these satisfied the company's policy of acquiring established medium-sized well-managed ventures which may be expanded effectively with the company's financial support.

Attractive opportunities are being found to expand and diversify the existing businesses. IEC-Holden has formed a joint venture to produce in North America a revolutionary paint curing device presently in successful use in Europe, resulting in large energy cost savings. Neo Industries is proceeding rapidly with the establishment of chrome plating facilities to serve the U.S. steel industry with

the same technology currently in use in Canada. Milltronics developed an ultrasonic transducer greatly increasing the capacity to measure commodities. Regal added new catalogue and distribution outlets to expand its national network, while Direct Film opened a new photographic laboratory in Toronto and added 34 new outlets during the year. Northern Pigment made substantial capital expenditures to permit it to produce easy dispersion oxides not currently produced in Canada. These initiatives while adversely affecting profitability in 1981 will strengthen the company's position, enabling it to achieve greater growth in the future.

During 1981 the company made its first entry into the energy sector through joint ventures in oil and gas exploration and production in Western Canada. The company has committed \$5 million for investment in two separate ventures which will provide a window on this important sector, enabling the company to increase its interest if that proves desirable.

Assets

At year-end the company's assets were \$219 million representing a 13% increase over last year. The asset distribution among our principal business groups at year-end was:

Class of Business	Proportion of Assets
Electrical & Electronics	23.9%
Residential Building Supplies	16.7%
Graphics	13.7%
Industrial Metal Products	16.7%
Consumer Products	24.8%
Corporate	4.2%
	100.0%

Research and Development

Once again, research and development spending was increased from last year's level. The R. and D. work at Milltronics led to the development of the ultrasonic level measuring system incorporating the transducer described earlier and computerized data acquisition equipment. During the year Neo developed a system of

trivalent chrome plating which will substantially reduce energy consumption. Chromalox R. and D. activity has included work on improved devices for electric heat control, a system for ceramic off peak heat storage as well as work on heat pipes and heat pumps. It is gratifying that the company's R. and D. activities have led to the development of commercially acceptable products now entering the market.

Outlook

Unfortunately, the current recession is expected to continue through much of 1982. Consequently the company's businesses will be under continuing pressure due to restricted demand while costs continue to rise. However, unless market conditions deteriorate further, improved results may be expected from the residential building supplies and the consumer products groups, while the electrical and electronics group is expected to maintain its good performance. Although the new ventures being undertaken by the industrial metals group will significantly strengthen your company, these initiatives on the whole are unlikely to make a significant contribution in 1982; this group is expected to continue to suffer from a relatively poor demand for many of its products. The graphics group is operating in a highly competitive environment which may result in little improvement over the results in 1981.

Unless there is a further deterioration in the economy, we expect a continued improvement in the company's overall results in 1982.

Corporate Responsibility

As a Canadian company doing business in Canada we are cognizant of our responsibility to support Canadian suppliers to the greatest extent possible. This long established practice has been recognized in a policy statement for the guidance of the management of all our businesses.



A. J. MacIntosh, Q.C., Chairman,
and Peter A. G. Cameron, President

Human Resources

1981 was a difficult year for your company's businesses creating pressures on all employees to achieve the best possible results despite adverse conditions. The success of the company in meeting these difficulties is attributable to the efforts of all of our employees. To the 7,000 people who daily contribute to the success of the company go our sincere thanks.

Board of Directors

A. G. S. Griffin and J. P. Parker are retiring as directors of the company after many years of valuable service.

Submitted on behalf of the Board of Directors,

A. J. MacIntosh
A. J. MacIntosh
Chairman

Peter A. G. Cameron
Peter A. G. Cameron
President

Toronto, Canada
March 22, 1982

Electrical and Electronics

The electrical and electronics group had another good year in 1981, continuing to increase its sales and profits significantly. This strong performance was encouraging as recessionary conditions led to a substantial decrease in demand in many of the group's markets.

The manufacture and marketing of electrical and electronic products is carried on by Chromalox Canada, the Chromalox Group and Milltronics Limited, which employ more than 1,500 people.

Chromalox Canada is the leading Canadian producer of electric comfort conditioning equipment in terms of product innovation, range of products and dedication to the electrical heating field. It has three major product lines: electric comfort heating products, such as electrical space heaters, baseboard heaters and electric furnaces; designed heating systems and control processes for industrial use, and electric heating elements for home appliances.

After five difficult years in which rising oil prices encouraged entrepreneurs to create an over-supply in the electric heating industry in Canada, the outlook is now more positive as the industry has contracted through consolidation and bankruptcies. This has coincided with an upswing in residential demand for electrical heating. This trend should continue if the prices of petroleum products continue to rise.

Chromalox Canada designs and manufactures heating equipment for industry and sells complete systems which include the electrical and electronic controls, plumbing, electrical panels and other engineering requirements. This aspect of its business continues to enjoy satisfactory growth and should provide increasing opportunities when the planned mega projects are commenced.

The manufacture of electric heating elements experienced a difficult year. The major appliance industry has gone through a period of consolidation

following a steady five year decline in consumer demand for such "big ticket" items as refrigerators, dishwashers and ranges. Chromalox's results were particularly affected by the unfortunate collapse of a major customer. Chromalox continues, however, to have a strong demand for replacement parts and is expanding its production of heating elements for table top appliances such as frying pans and kettles.

The Chromalox Group consists of Electro-Therm, Delhi Industries, Hull-Thomson and Heron Cable.

Electro-Therm, which was acquired three years ago, is the United States' largest manufacturer of heating elements for use in domestic water heaters. It also produces elements for the appliance industry, which suffered a severe down-turn in 1981. Overall its two Maryland plants performed as well as could be expected in an adverse economy.

Delhi Industries, which produces centrifugal blowers and gas manifolds, sustained its steady growth record of sales and earnings. Hull-Thomson was profitable in 1981, despite the depressed state of the automotive industry to which it supplies roll formed and stamped components. Heron Cable Industries, which produces electrical heating cable, portable heaters and charcoal lighters, had another year of modest growth.

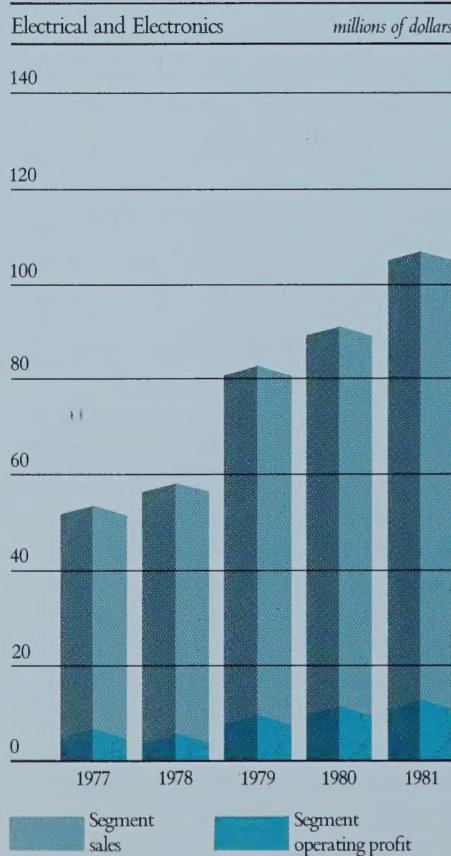
The continued outstanding performance of the electrical operations is leading to an expansion of production facilities. Over the next three years, the company plans to increase electrical heating equipment capacity at the Glengarry plant, in Cambridge, by 50% and at Chromalox Quebec by 30%, and to build a second manufacturing facility for Delhi Industries in Delhi.

Milltronics, a manufacturer of industrial electronic measurement and control equipment, recorded excellent revenues and profits in 1981 as a result of an ever-increasing acceptance of its control and instrumentation equipment used by the dry bulk material processing industry. This

Peterborough based enterprise achieved a world breakthrough in product innovation last year with the successful development of an ultrasonic transducer. This device can measure to distances of 200 feet to determine the quantities of commodities, (such as grain, coal or cement) stored in bins and silos. The range of traditional transducers is limited to 100 feet. This innovative instrument should enable Milltronics to capture a sizable portion of the market for dry bulk measurement, including the large U.S. market where the company established a subsidiary in Texas four years ago.

Milltronics also scored another breakthrough last year with the introduction of its Compuscale, a micro-processor integrator for use in conveyor belt scale weighing.

The technological achievements of Milltronics give it an excellent opportunity to expand. These achievements are being supported by increased marketing efforts.



Chromalox Canada

(Rexdale, Ontario) has three major product lines—comfort conditioners (electrical space heaters, baseboard heaters and electrical furnaces); design and heating systems and control processes for industrial use; and electrical heating elements for home appliances. In addition, a portion of business is air conditioning and solar heating products.

Electro-Therm Inc.

(Laurel, Maryland) is the largest manufacturer of heating elements for domestic water heaters in the U.S.A. The company also produces elements for the appliance industry.

Heron Cable Industries

Ltd. (Waterloo, Ontario) manufactures electrical cable, portable heaters and charcoal and log lighters, as well as eavestrough de-icing cable, under the trade name 'Sentinel'.

Hull-Thomson Limited

(Windsor, Ontario) produces metal roll formed parts and assemblies for the automotive and appliance industries.

Delhi Industries Limited

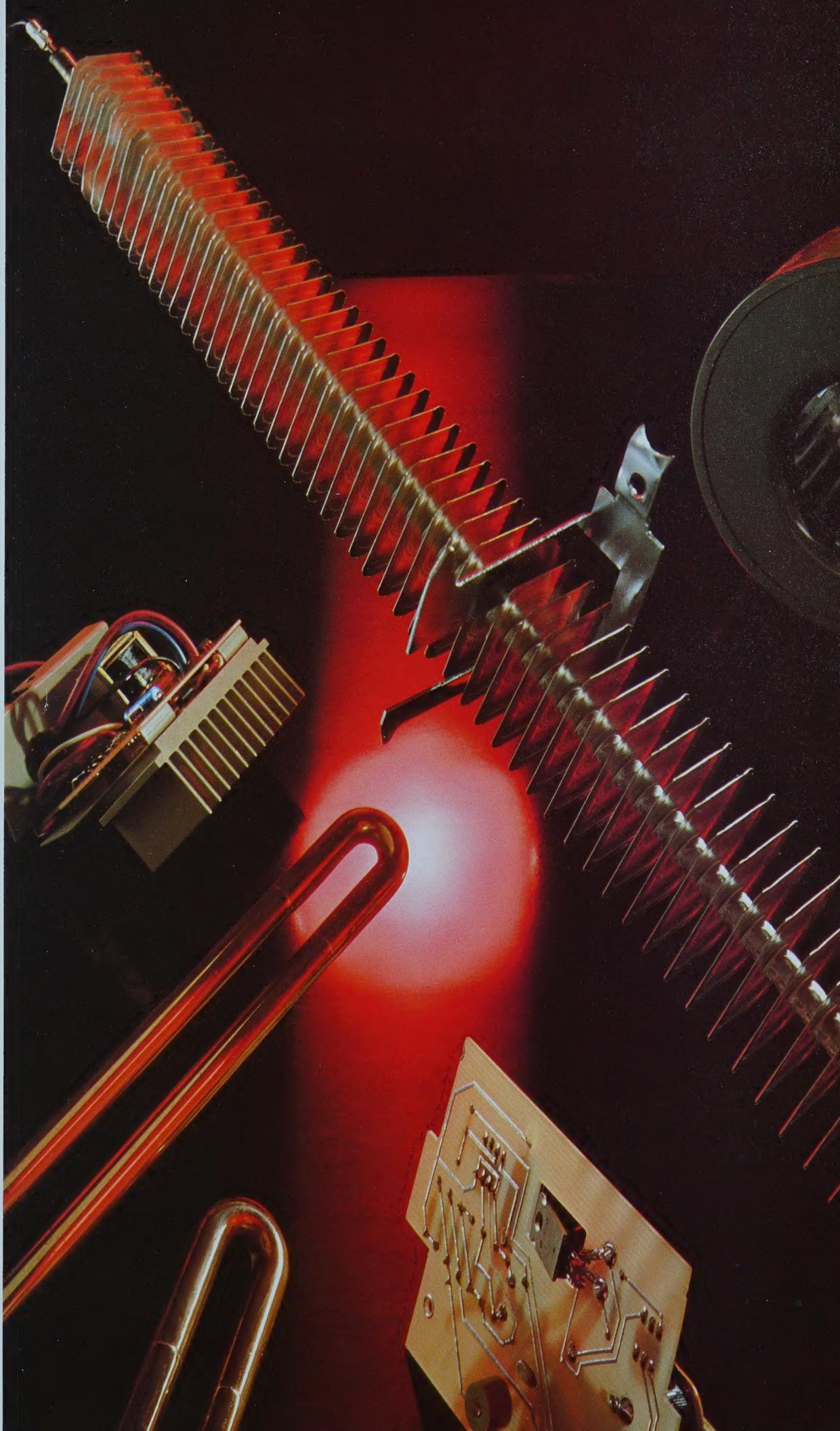
(Delhi, Ontario) manufactures centrifugal blowers and gas manifolds for sale to original equipment manufacturers and heating, cooling and ventilating wholesalers.

Milltronics Limited

(Peterborough, Ontario) designs and manufactures control and instrumentation equipment for the dry bulk material processing industries.

Rantech Electronics

Limited (Toronto, Ontario) designs and manufactures equipment for telemetry, data acquisition and supervisory control.



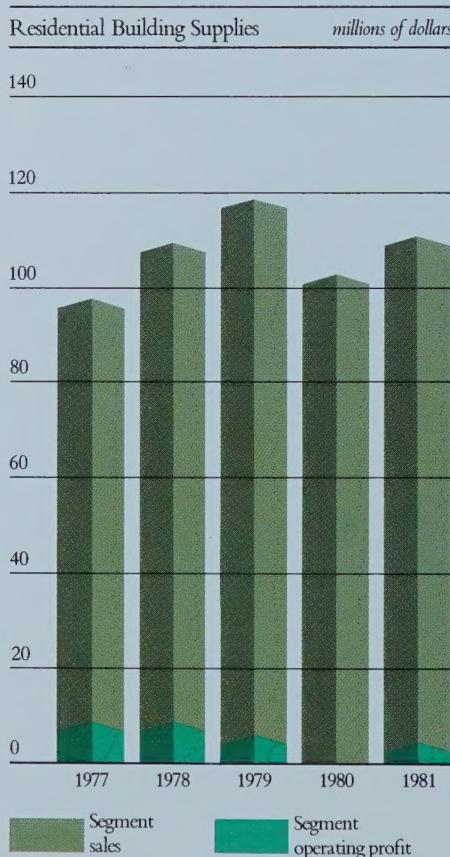
Residential Building Supplies

The building products group achieved a substantial turnaround in 1981 despite severe competition and a continuing soft new housing market. While sales increased only marginally, Cashway Building Centres (which includes Peterborough Lumber) produced a significant increase in operating profit in 1981 compared to the very unsatisfactory results in 1980. The main reason for this improvement was the addition of new senior management. Three marginal locations were closed, the unprofitable cottage building division of Peterborough Lumber was sold and a strong cost control program was instituted.

While the outlook for the housing and building supply industry generally is far from optimistic, Cashway is now well positioned to capture an enlarged share of the highly competitive Ontario "do-it-yourself" market. Home owners, caught in a financial squeeze, are undertaking more of their own repair and renovation work. Cashway is aggressively attracting these customers by offering them a larger range of products and services. Retail outlets have been modernized and the staff trained in effective management and marketing techniques.

The company will continue to follow the strategy of consolidation and tight cost controls which served it well during 1981. No new locations are planned to be opened in 1982, and the company will concentrate on increasing its market share in the markets where increased penetration is indicated. As well the company will continue its program to train and upgrade store managers and senior retail personnel emphasizing the profit centre concept.

Although only modest sales growth is expected in 1982, profits should continue to increase as the improvements in operations instituted by management take effect.



Cashway Building Centres (Mississauga, Ontario) has a network of 54 retail building supply outlets in Ontario.



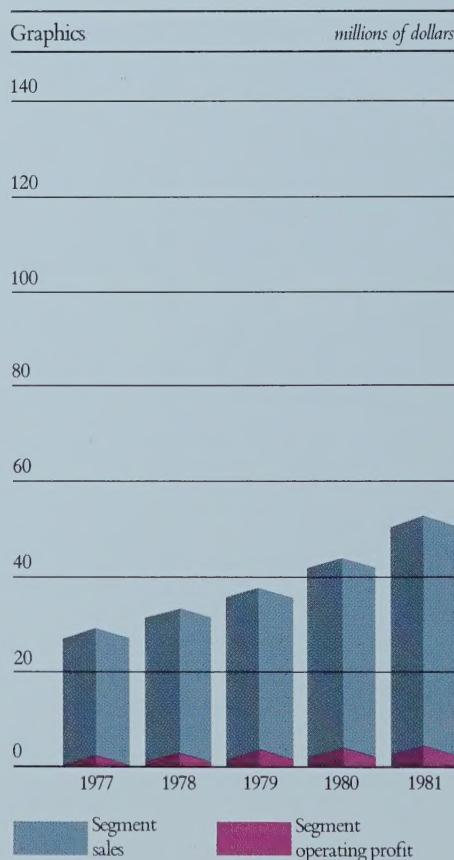
Graphics

The graphics group performed satisfactorily in 1981, considering the relatively depressed conditions in the industry and intensified competition. Earnings in 1981 were also affected by high interest rates, the impact of the mail strike on publication revenues and high start-up costs associated with new pressroom and bindery equipment. Since the mid 1970's a heavy capital investment program has been carried out at RBW, including the addition of four large web presses, two of which were installed in 1981 at a cost of \$5 million. One of these can be fairly described as one of the fastest in the world with the ability to print 1,600 feet of paper per minute. These substantial investments have permitted RBW to be a technological leader in its industry, enjoying a reputation for excellent service and quality which has enabled it to expand its market share substantially. The company's business is with major national accounts for publications, directories, commercial and consumer catalogues and books, with 15% of the volume coming from the U.S. market.

RBW was one of the first printing companies in Canada to introduce electronic publishing systems. During the past years a solid business has been established supplying such systems to the directory, automotive and data base markets.

Cutler Brands & Designs showed encouraging profit growth in 1981, further entrenching its leadership position as a manufacturer of decorated glassware and textile products for advertising and

promotional customers and the retail market. The profit increase was attained in spite of a steep downturn in the decorating of panels for the appliance and lighting industries. During 1981 the company marketed substantial quantities of decorated glassware and textile items through Canada's new Wonderland theme park. A marketing program was initiated in the U.S.A. which will result in significant sales in 1982. This company has enlarged its range of specialty products to include tray sets, clocks and new textile products. Currently its business is well balanced between glassware and textile items.



Cutler Brands and Designs (Toronto, Ontario) is a decorator of glassware and textile items for the retail and advertising specialty markets.

RBW Graphics (Owen Sound, Ontario) is a large commercial printing operation specializing in book manufacturing, publications, consumer advertising and catalogues, commercial catalogues and data graphics.



Industrial Metal Products

The industrial metal products group is engaged in manufacturing or supplying a wide range of specialized items, including forgings for the transportation and off-highway equipment market, high pressure valves for the energy and utilities industries, chrome plated parts for various secondary industries, synthetic iron oxides for use in the paint, rubber and plastics industries and specialty products and services for the railway industry. The depressed business conditions in 1981 severely affected many of these industries. As a result the group's sales were flat and operating profits fell to the lowest levels in some years.

Dominion Forge's performance suffered due to the very low demand for agricultural and off-highway equipment, heavy trucks and automobiles. In spite of these difficulties the operating profit of Dominion Forge increased over the badly depressed levels in 1980 when strikes at two large customers caused a disappointing performance. The profits of IEC-Holden were substantially reduced due to the significant decrease in expenditures by Canadian railways. A protracted work stoppage at Stelco, coupled with the depressed conditions suffered by many of the other customers of Neo Industries, led to a large loss of sales and a loss on operations. The reorganization of the business of Guelph Engineering carried out in 1980 led to an improved performance, although demand for the company's products continued to be depressed. The company is, however, operating more efficiently and will be able to compete effectively when the demand for energy related products increases. Northern Pigment's sales and earnings increased in 1981 in spite of the low level of activity of some of its customers in the coatings and concrete product industries.

While the results of the industrial metal products group deteriorated in 1981, it is encouraging that the group remained profitable when many of the industries it supplies severely curtailed their purchases. These results indicate that the group is efficient and is well positioned to earn satisfactory profits when economic conditions improve.

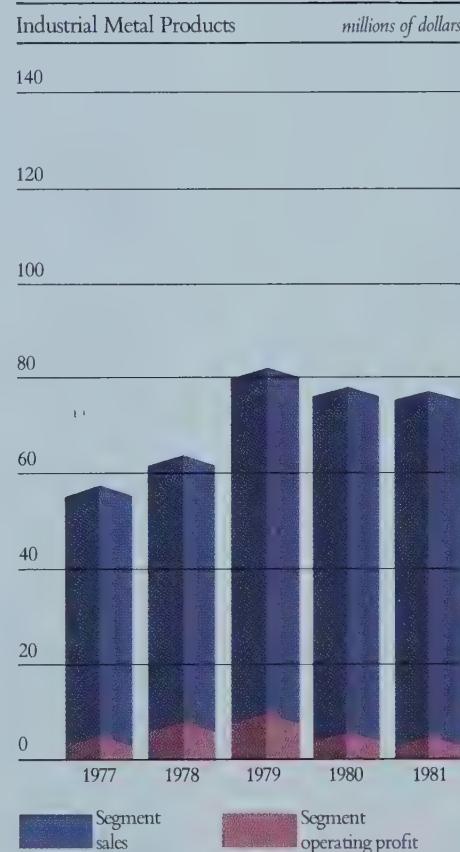
The industrial products group is pursuing a number of significant opportunities to expand and diversify its businesses which will improve its earnings prospects. IEC-Holden, Canada's leading supplier of specialized railway products, has entered into a joint venture with Atelier de Constructions Industrielles du Rhône of France for the production of infra-red radiation equipment. This innovative process is used primarily for rapidly curing paint on equipment at substantial energy savings. The process has been successfully employed in Europe and IEC-Holden has supplied the equipment to the C.N.R. Moncton car repair shop, the Prévost Car Inc. bus manufacturing plant near Quebec City and other major facilities. During the past year the necessary regulatory approvals have been obtained and a vigorous marketing effort is now being mounted to ensure the rapid development of this very promising new venture.

Neo Industries has been successfully chrome plating rolls for the Canadian steel industry for a number of years. Recent market surveys indicate that there is a substantial opportunity to serve the U.S. steel industry as well and consequently a plant is now being constructed in Gary, Indiana which will be followed by similar installations in other U.S. steel centres.

Substantial capital investments have been made at Dominion Forge to take advantage of the increasing trend to make forged parts by the cold extrusion process. Its cold forging

operations are already showing excellent progress and afford a good opportunity for continued growth. Dominion Forge also proposes to introduce new products to serve the expanding energy sector, particularly forgings used in oil and gas drilling equipment.

A major investment program is being completed at Northern Pigment which will enable it to produce, this year, easy dispersion oxides for pigmentation use by the paint industry. Northern Pigment will be the only company in Canada producing easy dispersion oxides and one of only half a dozen producers in the world. Northern Pigment expects to supply a very significant part of the Canadian requirement for this product.



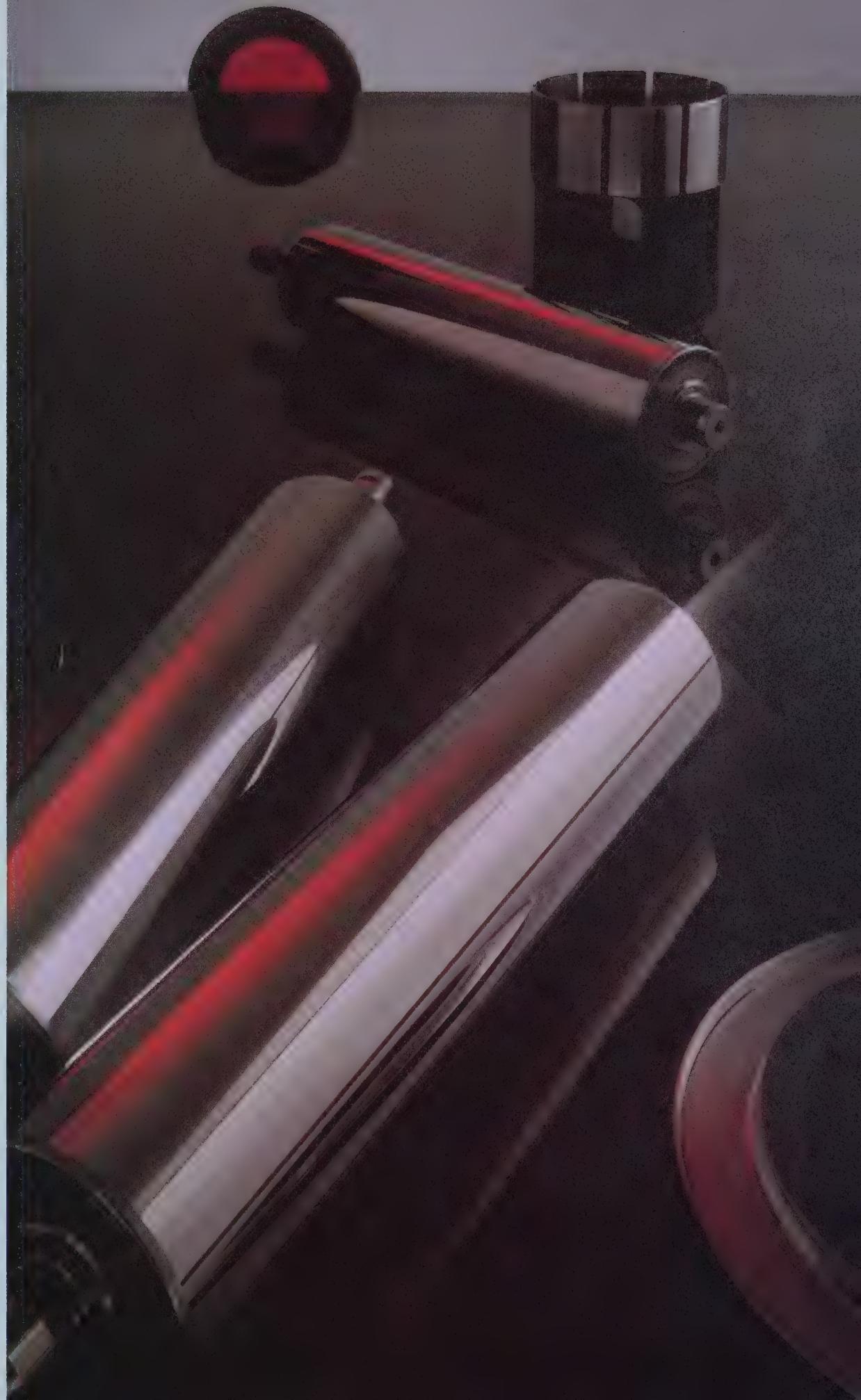
Dominion Forge Company Limited (Windsor, Ontario) one of North America's largest independent hot forge and cold extrusion operations servicing the truck, automotive and off-highway equipment industries is broadening its market base to the energy sector, supplying forgings for oil and gas drilling.

The Guelph Engineering Company Limited (Guelph, Ontario) designs and manufactures high pressure and special quality valves for use in petrochemical, refinery and power generation plants.

IEC-Holden Inc. (Montreal, Quebec) Canada's leading supplier of specialized railway products, is expanding its business by manufacturing and marketing for the North American market energy saving infrared radiation equipment for paint curing applications.

Neo Industries (Hamilton, Ontario) provides specialized machined and hard chrome plated parts to steel, rubber, plastic, packaging, mining and aircraft industries as well as to manufacturers of photo copier equipment.

Northern Pigment (Toronto, Ontario) produces synthetic iron oxides used in the manufacture of paint, rubber, plastics and concrete products.



Consumer Products

The consumer products group performed well in 1981, increasing its profits and sales in a year marked by severe pressures on the retail industry.

1981 results included for the first time the full year revenues and earnings of Direct Film, in which the company acquired an 80% equity position in late 1980. The earnings of this dynamic company were, however, adversely affected by an illegal union boycott of its stores in Quebec during the peak retail summer season. The boycott has since been removed and normal labour relations are anticipated during 1982.

Direct Film is an aggressive supplier of photofinishing and related photographic supplies, holding the dominant market share in Quebec with a rapidly growing position in Ontario. During 1981 it opened 34 new stores and now has 299 locations in Quebec, Ontario and the Atlantic Provinces. Late in the year a \$4 million film processing laboratory was opened in Toronto to service the Ontario stores. Direct Film's policy of investing in the latest photographic processing technology is being continued. Direct Film is rapidly expanding its retail outlets and this expansion will lead to improved profitability as the company serves an expanding market.

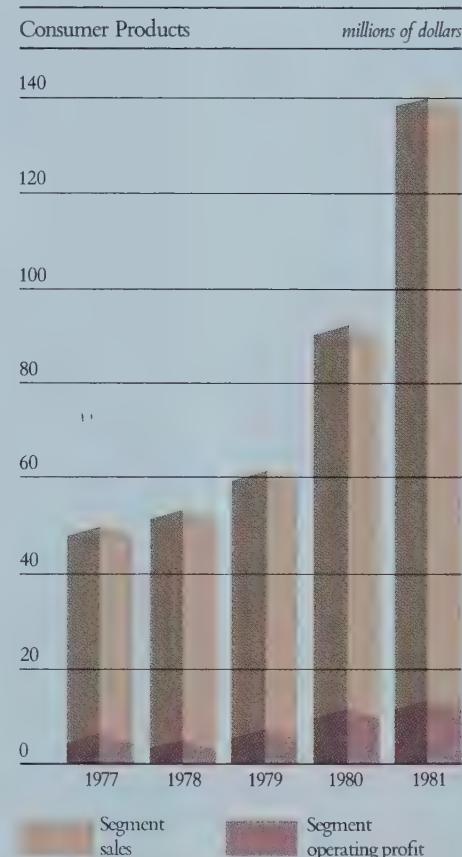
As forecast last year, the sporting goods business had a better year in 1981, achieving increased sales and a much improved profit performance. Both Jelinek Sports, which sells a broad range of sporting equipment, and Mariano Sports, which markets the top line Atomic skiing equipment, substantially reduced their excess inventories from the previous year. After the disappointing results of earlier years the improvement in these businesses was particularly gratifying in a year when the consumer economy was generally depressed.

The forty-two day postal strike in 1981 adversely affected the direct mail business operated by Regal Greetings & Gifts and its Quebec based operation Primes de Luxe. Although the 27 catalogue and distribution outlets, strategically located in principal cities throughout Canada, permitted continued sales activity, the strike seriously disrupted operations. Accordingly, it was encouraging that a 19% growth in sales was achieved and the 1980 profit performance was equalled despite the cost burden imposed by the strike.

During 1982, the company plans to expand its catalogue business by adding a third catalogue to the Christmas and spring editions it now sends to its agents across the country. In addition, Regal produces many of its own greeting cards, gift wrap and other products which are becoming important sources of revenue. A five colour printing press and electronic paper cutter were added at Regal's Toronto manufacturing facilities and an additional modern web envelope machine has been purchased for early 1982 installation at Regal's envelope plant in Omemee, Ontario.

Tender Tootsies of London, Ontario enjoyed yet another successful year. Emphasis on product styling, packaging and point of purchase promotion has enabled it to dominate its market segment, creating a loyal clientele for its brand names.

The federal government recently announced removal of the quota for imported leather footwear. These imports, which now account for about 57% of Canadian shoe sales, are expected to increase in 1982 and will present the Canadian industry with a serious challenge. To meet this challenge Tender Tootsies will continue to serve its customers with appealingly styled footwear brought to market with aggressive merchandising and with greater emphasis on innovative and low cost manufacturing techniques.



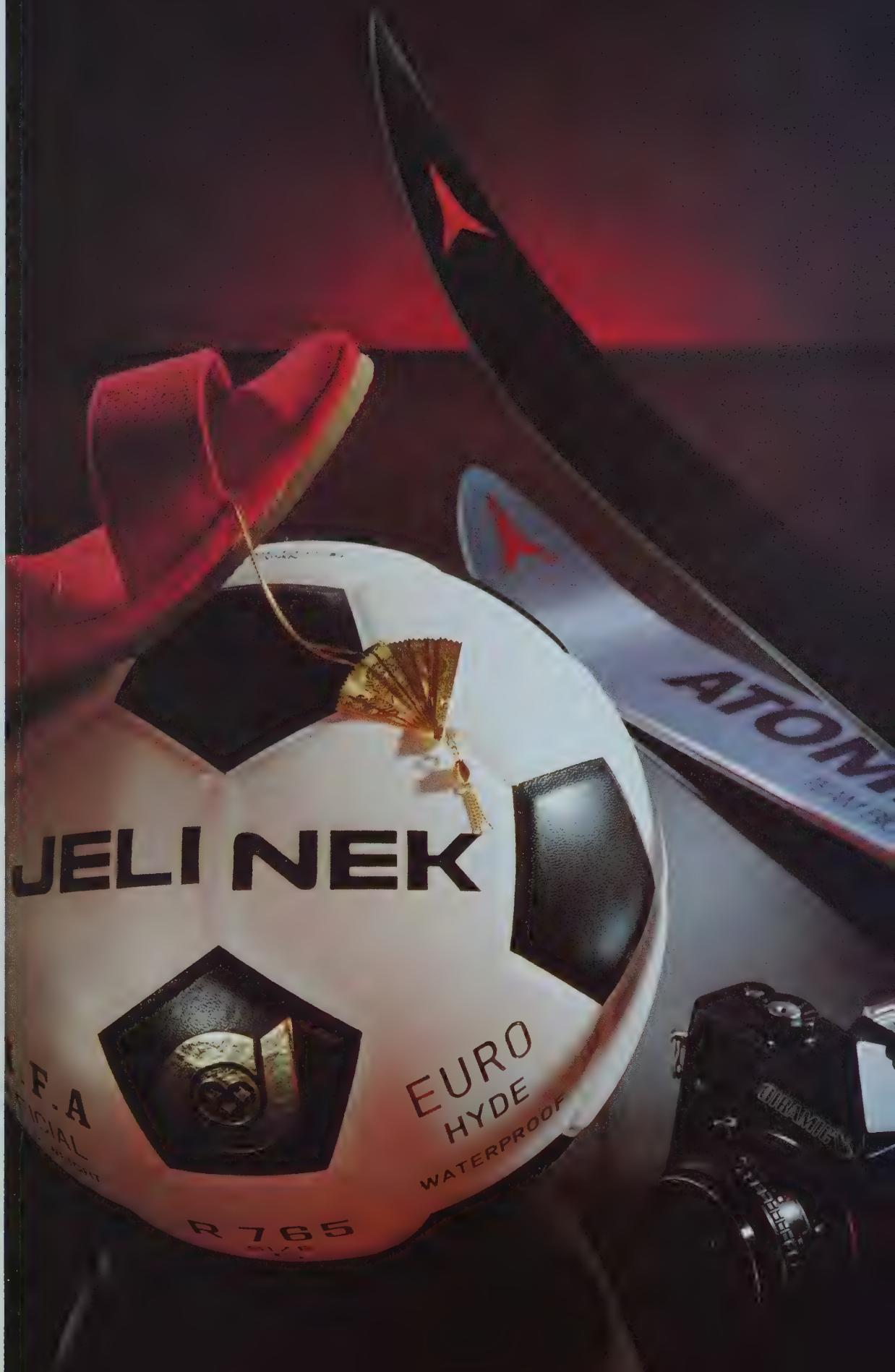
Direct Film Inc.

(Montreal, Quebec) merchandises cameras, film and photofinishing services through a chain of 299 outlets in Quebec, Ontario and the Maritimes.

Jelinek Sports (Toronto, Ontario) and **Mariano Sports** (Montreal, Quebec) supply top-line sporting goods for tennis, badminton, baseball, basketball, soccer, track and field and skiing to the institutional and retail trade.

Regal Greetings & Gifts (Toronto, Ontario) and its Quebec-based operation **Primes de Luxe**, produce a full line of greeting cards, envelopes, stationery, gift wrap and miscellaneous paper products, merchandising these products along with a variety of gift and household items through a network of independent agents and catalogue sales.

Tender Tootsies Limited (London, Ontario) is one of Canada's leading manufacturers of ladies slippers and shoes.



Auditors' Report

To the Shareholders of
Canadian Corporate
Management Company
Limited

We have examined the consolidated balance sheet of Canadian Corporate Management Company Limited as at December 31, 1981 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Toronto, Canada
February 26, 1982

Consolidated Statement of Income

For the Year Ended December 31, 1981 (with 1980 figures for comparison)

thousands of dollars except per share data

	1981	1980
Revenues:		
Sales	\$486,704	407,164
Gain on sale of subsidiary companies	418	
	486,704	407,582
Expenses:		
Cost of sales, selling and administrative expenses	450,834	379,494
Interest	14,067	9,473
	464,901	388,967
Income before income taxes, minority interest and extraordinary charge	21,803	18,615
Income taxes	9,757	7,170
Income before minority interest and extraordinary charge	12,046	11,445
Interest of minority shareholders in income of subsidiary companies	659	622
Income before extraordinary charge	11,387	10,823
Reversal of tax benefits of loss carry-forward recognized in prior years	425	
Net income	\$ 10,962	10,823
Net income per common share:		
Before extraordinary charge	\$ 2.43	2.32
After extraordinary charge	\$ 2.34	2.32

Consolidated Statement of Retained Earnings

For the Year Ended December 31, 1981 (with 1980 figures for comparison)

thousands of dollars

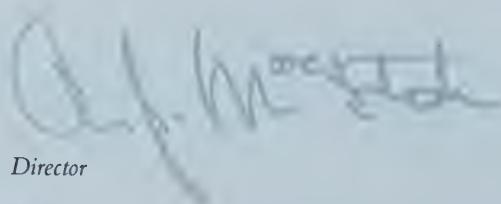
	1981	1980
Retained earnings at beginning of year	\$ 76,773	69,791
Net income	10,962	10,823
	87,735	80,614
Deduct dividends:		
On common shares		
Cash	1,625	1,599
Stock	2,114	2,124
	3,739	3,723
On preferred shares	156	118
	3,895	3,841
Retained earnings at end of year	\$ 83,840	76,773

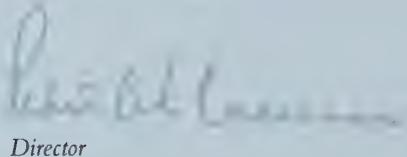
Consolidated Balance Sheet
December 31, 1981 (with 1980 figures for comparison)

thousands of dollars

Assets	1981	1980
Current assets:		
Cash	\$ 1,644	1,915
Accounts receivable	56,027	50,962
Inventories (note 2)	96,841	86,681
Prepaid expenses	1,124	1,438
Total current assets	155,636	140,996
 Property, plant and equipment (note 3)		
Non-current receivables and investments	5,479	3,938
Goodwill and patents	5,870	6,227
	\$219,248	194,186

Approved by the Board:


Director


Director

Liabilities and Shareholders' Equity	1981	1980
Current liabilities:		
Bank advances (note 4)	\$ 26,360	17,304
Accounts payable and accrued charges	42,492	37,218
Income and other taxes payable	4,119	5,132
Dividends payable	623	575
Current portion of long-term debt	4,381	5,090
Total current liabilities	77,975	65,319
Long-term debt (note 5)	42,367	40,246
Deferred income taxes	5,201	2,005
Minority interest in subsidiary companies	3,496	3,900
Shareholders' equity:		
Stated capital (note 6)	6,369	5,943
Retained earnings	83,840	76,773
Total shareholders' equity	90,209	82,716
Commitments and contingencies (notes 7 and 8)		
	\$219,248	194,186

Consolidated Statement of Changes in Financial Position
For the Year Ended December 31, 1981 (with 1980 figures for comparison)

thousands of dollars

	1981	1980
Financial resources provided by:		
Income before minority interest and extraordinary charge	\$12,046	11,445
Items not involving financial resources:		
Depreciation and amortization	7,627	5,971
Deferred income taxes	2,771	(100)
Amortization of goodwill and patents	357	433
Financial resources provided by operations	22,801	17,749
Increase in long-term debt	2,121	23,440
Disposal of property, plant and equipment	546	1,269
Decrease in non-current receivables and investments		2,982
Sale of subsidiary companies		2,735
	25,468	48,175
Financial resources used for:		
Purchase of property, plant and equipment	17,411	7,998
Cash dividends paid by parent company	1,781	1,717
Redemption of preferred shares	1,687	974
Increase in non-current receivables and investments	1,541	
Dividends and other payments to minority interests	1,064	645
Acquisition of subsidiary companies		10,192
Purchase of minority interest in subsidiary companies		1,608
	23,484	23,134
Increase in working capital	1,984	25,041
Working capital at beginning of year	75,677	50,636
Working capital at end of year	\$77,661	75,677

Changes in components of working capital:

Increase (decrease) in current assets		
Cash	\$ (271)	1,133
Accounts receivable	5,065	472
Inventories	10,160	(1,803)
Prepaid expenses	(314)	(137)
	14,640	(335)
Increase (decrease) in current liabilities		
Bank advances	9,056	(32,029)
Accounts payable and accrued charges	5,274	4,681
Income and other taxes payable	(1,013)	476
Dividends payable	48	12
Current portion of long-term debt	(709)	1,484
	12,656	(25,376)
Increase in working capital	\$ 1,984	25,041

Notes to Consolidated Financial Statements

December 31, 1981

The company is subject to the provisions of the Canada Business Corporations Act. The company is engaged in a broad range of manufacturing, distribution and service activities throughout Canada.

1. Significant Accounting Policies

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects with the historical cost accounting standards of the International Accounting Standards Committee. The significant accounting policies are summarized below.

Basis of Consolidation

The consolidated financial statements include the accounts of Canadian Corporate Management Company Limited and its subsidiary companies. Corporate acquisitions are accounted for by the purchase method and the results of operations included in the consolidated statement of income from the dates of acquisition. Investments in joint ventures are accounted for by the equity method.

Translation of Foreign Currencies

Foreign currencies are translated into Canadian dollars as follows: revenue and expenses at exchange rates effective on the transaction dates; non-current assets and non-current liabilities at historical rates; current assets and current liabilities at rates in effect at the year end. Foreign exchange gains and losses are included in income.

Inventories

Inventories are stated at the lower of cost and market, with cost being determined on a first-in, first-out basis, and with market value being determined at net realizable value for finished goods, work in process and land held for development and at replacement cost for raw materials.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is provided over the estimated useful lives of each class of asset using the declining-balance method. Leasehold improvements are amortized on a straight-line basis over the terms of the leases. Investment tax credits available under the Income Tax Act are used to reduce the carrying value of the related assets.

Goodwill and Patents

Goodwill and patents are stated at cost less accumulated amortization. Goodwill is amortized over periods up to forty years. Patents are amortized over their legal lives.

2. Inventories

	<i>thousands of dollars</i>	
	1981	1980
Finished goods	\$49,702	44,295
Work in process	11,128	9,749
Raw materials	29,367	26,525
	90,197	80,569
Land held for development	6,644	6,112
	\$96,841	86,681

Notes to Consolidated Financial Statements

December 31, 1981

3. Property, Plant and Equipment

			<i>thousands of dollars</i>	
			1981	1980
	Depreciation and Amortization	Cost	Net Book Value	Net Book Value
Buildings	4%—10%	\$ 31,154	19,108	29,031
Machinery and equipment	20%—30%	74,777	28,111	61,616
Leasehold improvements	Terms of leases	3,906	1,127	3,730
		109,837	48,346	94,377
Land		3,917	3,917	3,731
		\$113,754	52,263	98,108
				43,025

4. Bank Advances

Bank advances of \$12,900,000 are secured by specific and floating charges on assets.

5. Long-term Debt

		<i>thousands of dollars</i>	
	Average Interest Rates	1981	1980
Bank term loans	bank prime rate	\$38,596	40,027
Mortgages and other secured debt	12%	2,830	3,409
Other unsecured debt	10%	5,322	1,900
		\$46,748	45,336

Approximate principal repayments are as follows:

1982	\$ 4,381
1983	3,848
1984	3,453
1985	2,167
1986	1,169
1987 and later	31,730
	42,367
	\$46,748

Bank term loans of approximately \$3,800,000 are secured by assignment of assets.

Long-term debt includes U.S. dollar obligations of \$5,547,000 at their historic Canadian equivalent of \$6,626,000.

Interest expense on long-term debt was \$8,288,000 in 1981 (1980—\$2,429,000).

The company is in compliance with restrictions in the bank term loan agreements pertaining to the maintenance of net worth, working capital and earnings at stated levels and the maintenance of a defined debt-equity ratio.

Notes to Consolidated Financial Statements

December 31, 1981

6. Stated Capital

	<i>thousands of dollars</i>		
	Issued Shares		
	Class X Non-Voting	Class Y Voting	Stated Capital
Common Shares			
Balance, December 31, 1980	455,165	4,156,819	\$3,049
Conversions	49,290	(49,290)	
Balance, December 31, 1981	504,455	4,107,529	3,049
6% Cumulative preferred shares redeemable at \$10 per share			
Balance, December 31, 1980		289,336	2,893
Issued as stock dividends		211,355	2,114
Redemptions	(168,741)	(1,687)	
Balance, December 31, 1981		331,950	3,320
Stated capital, December 31, 1981			\$6,369

The Class Y are convertible into Class X shares at any time at the option of the shareholder.

The Class Y shares participate equally in dividends with the Class X shares after a non-cumulative dividend of 10¢ per annum has been paid on the Class X shares. Dividends on either class of shares are payable in the form of cash or 6% preferred shares at the option of the shareholder. Currently, the indicated annual dividend for a Class X share is 90¢ and for a Class Y share 80¢.

The company is a constrained share corporation under the Canada Business Corporations Act whereby the total percentage of voting shares outstanding that may be held by non-residents is restricted to 25% and the percentage that may be held by any single non-resident is restricted to 10%.

At December 31, 1981 an amount of \$1,274,000 was due from senior officers under a share purchase plan.

Notes to Consolidated Financial Statements

December 31, 1981

7. Commitments

The company and its subsidiaries have commitments under long-term operating lease agreements for various periods up to 1997. Future minimum rental payments under such lease obligations outstanding at December 31, 1981 are due as follows:

	<i>thousands of dollars</i>
1982	\$6,258
1983	5,179
1984	4,204
1985	2,735
1986	1,511
1987 and later	2,222

Operating lease payments charged to income in 1981 were approximately \$7,553,000.

At December 31, 1981 the unfunded past service costs of employees' pension plans amount to \$7,379,000 which will be funded and charged to operations over periods to fifteen years.

8. Contingencies

An action against the company, a subsidiary and third parties has been commenced by Nova, an Alberta Corporation claiming \$65,000,000 for damages relating to the alleged failure of equipment manufactured by a third party and supplied by the subsidiary in 1969. An unassociated claim for \$6,584,000 has been lodged against another subsidiary alleging failure to supply materials manufactured in 1980 by the subsidiary according to prescribed technical specifications. The outcome of the claims is not presently determinable pending receipt of further information, but in both cases the company and subsidiaries deny liability and are defending the actions. Settlements arising from resolution of the claims, if any, will be accounted for as an adjustment of prior years' income.

In the opinion of management, other pending litigation and claims are not considered to be material to the company's financial position.

The company and its subsidiaries are contingently liable for \$1,700,000 in respect of guarantees.

Segmented Information by Class of Business

For the Year Ended December 31, 1981 (with 1980 figures for comparison)

thousands of dollars

	Segment Sales		Segment Operating Profit	
	1981	1980	1981	1980
Electrical and Electronics electrical comfort conditioning equipment, heating elements, centrifugal blowers, industrial process control equipment.	\$106,918	90,799	12,836	10,099
Residential Building Supplies retail building supplies such as lumber, roofing, electrical, plumbing, carpeting.	110,319	102,654	4,131	58
Graphics printing of books, magazines, catalogues and decorating glass products and textiles.	52,078	43,505	3,706	3,357
Industrial Metal Products forgings, valves, machined and hard chrome plated parts, railway equipment, synthetic iron oxides.	77,304	77,451	4,242	5,175
Consumer Products gift and novelty items, women's shoes, sporting goods, camera equipment and photo developing.	140,047	92,379	13,283	11,216
General corporate items	486,666	406,788	38,198	29,905
	38	376	(27,236)	(19,082)
	\$486,704	407,164	10,962	10,823

Sales for 1981 include export sales of \$36,504,000 (1980—\$35,293,000) primarily to customers in the United States.

	Identifiable Assets		Capital Expenditures		Depreciation and Amortization	
	1981	1980	1981	1980	1981	1980
Electrical and Electronics	\$ 52,498	42,666	2,219	874	1,399	1,097
Residential Building Supplies	36,506	34,887	946	1,360	1,102	1,374
Graphics	29,809	21,918	5,210	3,063	1,687	1,174
Industrial Metal Products	36,657	34,010	3,225	1,316	1,605	1,379
Consumer Products	54,461	52,467	5,761	1,327	1,800	918
Corporate	9,317	8,238	50	58	34	29
	\$219,248	194,186	17,411	7,998	7,627	5,971

Each industry segment includes companies providing products and services and serving markets that are similar in nature. General corporate items include investment income, interest expense, head office expense, income taxes and interest of minority shareholders.

Ten Year Summary
thousands of dollars except per share data

	1981	1980
Operating Statistics		
Sales	\$ 486,704	407,164
Income before income taxes, minority interest and extraordinary items	\$ 21,803	18,615
Income taxes	\$ 9,757	7,170
Income before extraordinary items	\$ 11,387	10,823
—per common share (note a)	\$ 2.43	2.32
Net income	\$ 10,962	10,823
—per common share (note a)	\$ 2.34	2.32
Dividends declared	\$ 3,895	3,841
Dividends paid on a Class Y share (note b)	\$.80	.78 $\frac{3}{4}$
Other Statistics		
Current assets	\$ 155,636	140,996
Current liabilities	\$ 77,975	65,319
Working capital	\$ 77,661	75,677
—ratio of current assets to current liabilities	2.0 to 1	2.2 to 1
—per common share (note a)	\$ 16.84	16.41
Property, plant and equipment (net)	\$ 52,263	43,025
Additions	\$ 17,411	7,998
Depreciation expense	\$ 7,627	5,971
Shareholders' equity	\$ 90,209	82,716
—per common share (note a)	\$ 18.84	17.31
Price range of Class Y shares (note c)	\$ 13$\frac{3}{4}$-10$\frac{1}{2}$	13-10 $\frac{1}{2}$

Notes

a. The statistics shown above relating to "common shares" have been adjusted to reflect the increase in the number of shares currently outstanding through the creation in June 1980 of Class X and Class Y shares which in the aggregate were double the total number of the Class A and Class B shares that were replaced.

b. Dividends paid on Class Y shares are based on the dividends paid on this class of share and on the former Class A shares (adjusted for the increase in the number of shares outstanding). The dividends on the former Class B shares for the period 1972 to April 15, 1977 were paid out of Tax Paid Undistributed Surplus and were 15% less than the dividend paid on Class A shares; subsequent to April 15, 1977 the dividends paid on Class A and Class B shares were identical. Each Class X share is entitled to a quarterly dividend 2 $\frac{1}{2}$ ¢ (10¢ per annum) greater than that paid on a Class Y share.

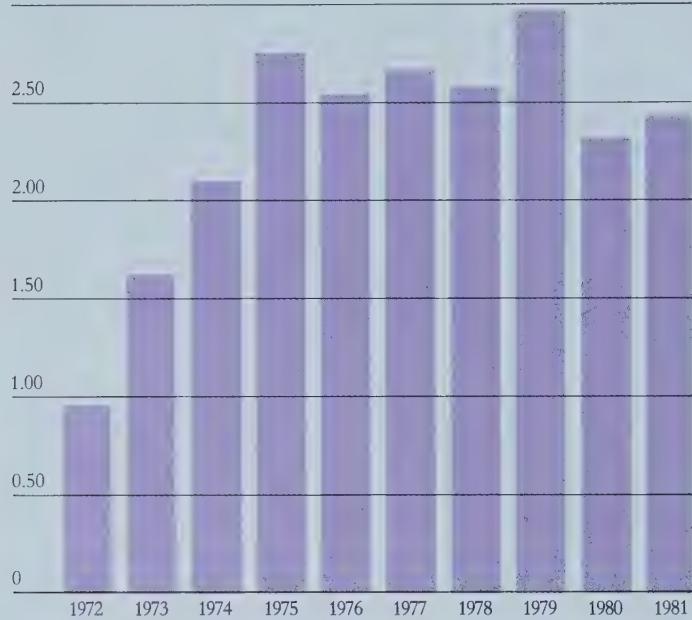
In addition to the dividends shown, a special dividend of \$8.75 (equivalent to \$4.37 $\frac{1}{2}$ on the current shares outstanding) was paid in 1978 from Capital Surplus on Hand on both Class A and Class B shares.

1979	1978	1977	1976	1975	1974	1973	1972
381,550	316,800	286,387	294,994	268,587	238,070	176,206	137,688
22,889	21,012	21,465	21,870	26,063	19,914	15,314	10,277
8,976	8,834	8,617	9,594	12,057	9,391	7,254	5,077
13,239	11,407	11,834	11,260	12,237	9,331	7,191	4,330
2.97	2.58	2.67	2.54	2.76	2.10	1.62	.98
13,239	11,407	11,834	11,606	12,319	9,415	7,191	4,502
2.97	2.58	2.67	2.62	2.78	2.12	1.62	1.02
3,412	22,707	3,254	2,648	2,448	2,140	1,730	1,332
.75	.75	.75	.61¼	.60	.50	.42	.33
141,331	130,430	102,729	104,178	97,209	87,515	78,176	58,457
90,695	83,930	46,216	54,849	58,244	53,652	40,881	28,785
50,636	46,500	56,513	49,329	38,965	33,863	37,295	29,672
1.6 to 1	1.6 to 1	2.2 to 1	1.9 to 1	1.7 to 1	1.6 to 1	1.9 to 1	2.0 to 1
10.98	10.50	12.76	11.14	8.80	7.64	8.42	6.70
36,076	34,663	29,417	28,931	27,763	21,656	20,264	15,656
8,568	9,627	5,751	7,039	8,320	6,388	4,799	3,902
5,975	5,299	4,559	4,781	4,018	3,682	2,810	2,447
74,583	62,047	72,527	64,014	55,287	45,625	38,648	35,166
15.80	13.82	16.38	14.46	12.48	10.30	8.72	7.94
14½-10½	17½-12½	14-10½	14¼-10	11¾-8¼	13¼-7½	13¾-9½	11¼-7½

c. The price range of Class Y shares is based upon the price for Class A shares to May 1980 and for Class Y shares subsequent to that date. The price shown in 1980 and prior years, based on Class A shares, has been adjusted to reflect the increase in the number of shares outstanding as described in note a.

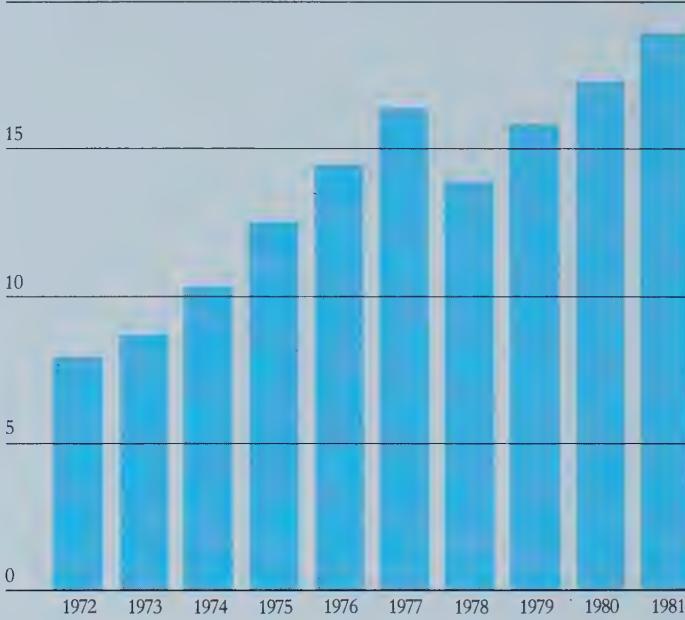
Income per Common Share before
Extraordinary Items (note a)

\$3.00



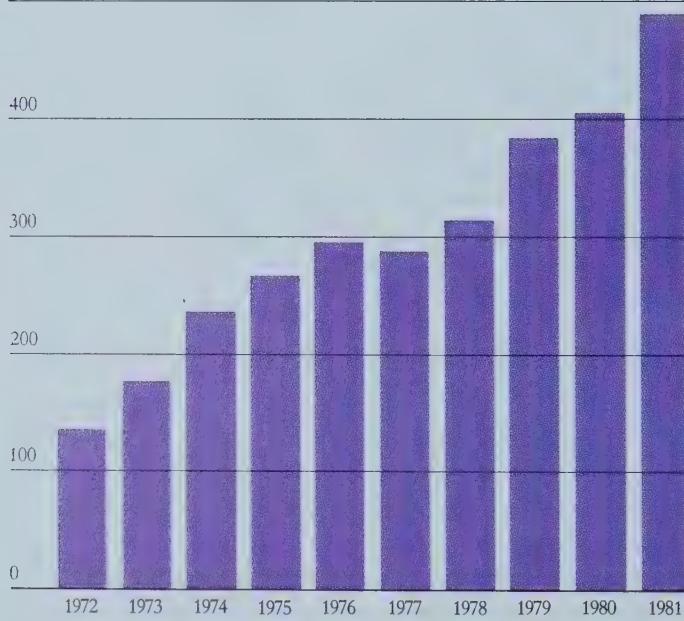
Equity per Common Share
(note a)

\$20



Sales
(millions)

\$500

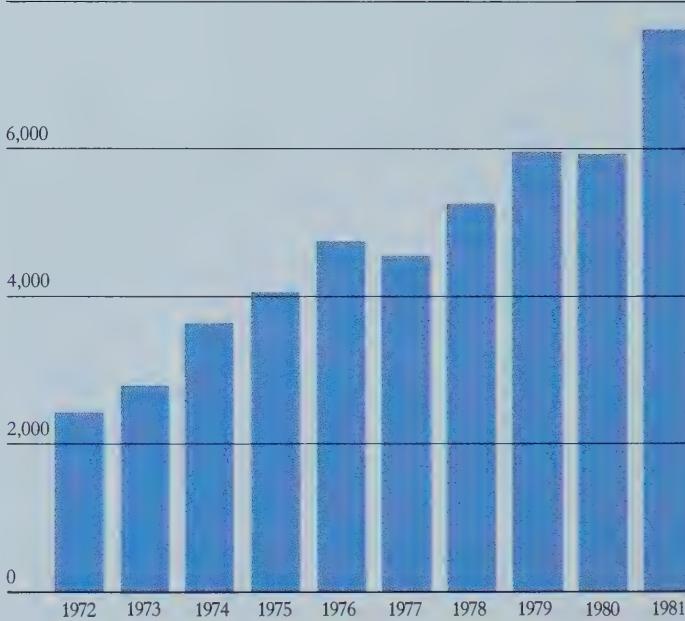


1981 Results by Quarters (thousands)

Quarter	Sales	Net Income
First	\$ 97,704	808
Second	125,323	2,125
Third	130,910	2,926
Fourth	132,767	5,103
	\$486,704	10,962

Depreciation and Amortization
(thousands)

\$8,000



Income per Common Share (note a) (before extraordinary items)

Quarter	1981	1980	1979	1978	1977
First	\$.17	.28	.33	.27	.18
Second	.45	.28	.66	.54	.60
Third	.63	.68	.84	.82	.80
Fourth	1.18	1.08	1.14	.95	1.09
	\$2.43	2.32	2.97	2.58	2.67

Directors and Officers

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A. J. MacIntosh, Q.C.
Chairman
Peter A. G. Cameron
President
J. Boyd Clarke
Vice President
J. R. Kennedy
Vice President
J. A. McKee
Vice President, Finance
J. L. Gordon
Vice President, Western Development
T. M. H. Hall
Controller
D. S. Hackett
Manager, Marketing Research
W. H. Irwin
Technical Director
D. S. Piercey
Director, Insurance and Benefits
R. F. Trenchard
Manager, Operational Auditing

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Toronto
† Peter A. G. Cameron
Toronto
J. Boyd Clarke
Toronto
*† Duncan L. Gordon
Toronto
† Hon. Walter L. Gordon
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Toronto
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Hong Kong
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Toronto
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Toronto

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Vice President and General Manager
G. E. Marshall,
Vice President Marketing and General Sales Manager
H. J. Langille,
Vice President, Manufacturing
S. F. Smith,
Controller

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Cashway North Limited
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President

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A. R. Tressel,
President

RBW Graphics
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President

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Toronto, Ontario
R. Fraser,
President

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Montreal, Quebec
A. Castegnier,
President

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Oakville, Ontario
A. C. B. Wells,
President

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Vice President and General Manager

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Vice President and General Manager

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President

Tender Tootsies Limited
London, Ontario
S. E. Lyons,
President

Canadian Corporate Management Company Limited
Annual Report 1981